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SUBJECT: REALISTIC VIEW OF CHALLENGES IN STATE OF UNION
ADDRESS

Summary

¶1. (U) On September 2, President Calderon presented his 2007 State of the Union Address (Informe) at the Palacio National.

The Informe covered rule of law and security, competitive economy and job creation, equal opportunity, sustainable development, effective democracy and responsible foreign policy. Calderon highlighted his administration's accomplishments and emphasized the need for public support for the changes necessary to build a better nation.

Introduction

¶2. (U) Calderon presented the written version of his 2007 Informe to Congress on September 1 and spoke publicly the following day at the Palacio National. He began his speech with a call to change the format of the yearly address to a debate as opposed to a presentation format. He also recalled the five fundamental areas of his government's focus, which also served as the main topics for his address: rule of law and public security, competitive economy and job creation, equal opportunities, sustainable development, effective democracy and responsible foreign policy.

Rule of Law and Security

¶3. (U) Calderon praised the efforts of the Secretariat of Public Security (PGR) and the Army in combating narcotrafficking. Thanks to their efforts, the government has been able to gain ground against organized crime. Over 10,000 people linked to the drug trade have been captured, including 20 of the biggest drug lords in the country. Mexico has successfully extradited the most dangerous kingpins to prevent them from controlling the trade from jail.

¶4. (U) Calderon acknowledged that part of the problem with drug trafficking is the impunity criminals enjoy. He drew

attention to the National Evaluation and Confidence Control Center, created by the government to combat corruption in police forces and spoke about the "Plataforma Mexico" program which will create a single criminal information center interconnected via a national network including voice, data, and images. He also mentioned the proposal he sent to Congress that would modernize security laws and institutions by providing the police more tools to conduct their investigations and expand the rights of victims in proceedings. Calderon reminded the audience that the war against organized crime will be long and hard but is essential to decreasing the threat to Mexico's peace and security.

Competitiveness and Job Creation

15. (U) Calderon noted how his government has been able to control inflation and maintain low interest rates and macroeconomic stability. Despite the recent financial volatility worldwide, Mexico has been stable, enjoying a low country-risk premium -- the lowest level ever recorded was in June 2007. He reported that international reserves currently total USD 71 billion and that during the first half of the year, FDI totaled USD 13.2 billion, a reflection of investor confidence in Mexico. He boasted that the government created 618,000 formal jobs since January 1.

16. (U) Calderon acknowledged that neither economic stability nor the current levels of economic growth are sufficient to alleviate Mexico's poverty problem. He emphasized the importance of public and private investment to achieve sustainable growth and job creation. To improve the country's competitiveness and productivity, the government needs to channel the additional investment toward

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infrastructure projects that improve the country's logistics. He highlighted the National Infrastructure Plan and his administration's goal to provide Mexicans with better water and electricity services, while improving transportation and communication networks to stimulate the economy. He also highlighted "Promexico," a government agency created to promote exports and attract more investments. He mentioned how the government has revamped its processes to channel financing to small and medium enterprises (SME) through a special SME fund and the national financing agency, NAFIN. He also emphasized government efforts to increase the competitiveness of Mexican farmers, including 176 billion MXP (USD 16 billion) in special support programs to help farmers handle the opening of the bean, milk, sugar, and corn sectors.

17. (U) Calderon described the approval of public sector pension reform as an important success in making public finances viable over the long term. Calderon praised legislators, help in approving support for the elderly and for the Seguro Popular, which provides health services to those not covered by private or public sector social security programs. He stressed the need for additional fiscal, labor, education and telecommunication reforms. He warned that public finances are threatened by the predicted decline in oil revenues. Proven reserves will last for only nine years, and daily production has declined by 200,000 barrels. In light of this, he insisted on the approval of fiscal reform. He said that he was convinced that consensus could be achieved to pass the needed reforms.

Equality of Opportunity

18. (U) Calderon stressed his commitment to closing the gap between rich and poor. Currently, 40% of Mexicans live in poverty. More than 14 million Mexicans are living in extreme poverty, and 10 million do not have access to potable water. He praised government efforts that have helped to reduce the number of Mexicans living in extreme poverty by 20 million

over the last 10 years and said that government programs will have proven successful if the trend continues in the coming years. The fiscal reform that he sent to Congress in June would very much help to alleviate poverty. He promised to analyze the existing social programs and eliminate those that are ineffective while improving the others.

19. (U) Calderon highlighted a number of steps his administration has taken to improve the life of the country's poorest citizens. *Oportunidades*, the most important social program in the Calderon administration, reaches 5 million families -- one in four Mexicans. In addition to health, food, and education assistance, the government also provides subsidies for electricity and domestic gas. The government has invested 4.7 billion MXP (USD 427 million) in the "100 X 100" program. This program provides support to the 100 poorest municipalities, the majority of which are indigenous.

In education, the government is focusing its attention at the high-school and university level. The government has also provided more than 1 million scholarships for high-school students and 347,000 for college and university students. Calderon pointed out that increasing the coverage and the quality of teachers is the government's next challenge. He praised his Health Insurance for a New Generation and the Popular Insurance program as steps toward achieving universal health coverage and the "70 and Older" and the "Childcare Centers for Working Mothers" programs for helping the underprivileged elderly and children.

Sustainable Development

10. (U) Calderon described protecting the environment as an issue of national security. The Mexican government has prepared a national strategy on climate change to reduce greenhouse gas emissions and foster the development and use of alternate energy sources. The protection of water

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sources, mainly in urban areas, is another high priority. The government has increased the number of protected natural areas which currently represent 12% of the total territory. Calderon maintained that overcoming poverty and caring for nature are linked.

Effective Democracy and Responsible Foreign Policy

11. (U) Calderon praised Congress for demonstrating the political will to approve needed reforms. The government appreciates the importance of constant dialogue with the existing political forces. He praised the relationship the federal government has with the state governors. With regard to human rights, Calderon said that his government has been and will continue to be open politically. He understands that the country's democracy needs to improve and modernize, but that political actors must first have the political will to negotiate and be subject to increased transparency and responsibility. He has been following the discussions regarding the electoral reform and is in favor of shorter, less expensive political campaigns, as well as a level playing field for all candidates.

112. (U) Calderon said that a challenge for the government will be to strengthen Mexico's international position while exercising a responsible foreign policy. He has instructed the Secretariat of Foreign Affairs to promote Mexico abroad and to attract more investment to Mexico, using the term "more Mexico in the world, and more of the world in Mexico". He said that Mexico needs to increase its international leadership, beginning with Latin America. Calderon said that the Mexico needs to increase open markets for its products on each continent. He announced that his government has nominated Mexico for a non-permanent seat on the UN Security Council.

¶13. (U) Calderon remarked that during the SPP leaders, summit, he stressed that the three countries should use the regional advantages they have to compete globally, without hurting sovereignty, while resolving migration, organized crime, and investment issues. Calderon criticized U.S. immigration policies dealing with the persecution of illegal Mexican migrants in the U.S. The Mexican government will continue to push for a comprehensive migration reform.

Comment

¶14. (U) The Informe contained nothing that has not been said before. Calderon explained that he will continue his fight against organized crime; his push for reform, development, and equality; and his drive to gain Mexico a larger role in global affairs. Notably absent was mention of the cross border trucking program, which the GOM had hoped to highlight as a success for North American competitiveness. Also, immigration constituted a mere one paragraph mention in the course of the 15-page address.

¶15. (U) Many opinion makers agree with Calderon's call for a dialogue and debate to replace the long standing tradition of the president presenting his State of the Union Address to Congress without any opportunity for the latter to respond. They complain that the Informe has become only a list of statistics and that Mexico requires a fuller debate to tackle its problems. Currently, no mechanism exists to guarantee the level of civility required to adopt a new system.

¶16. (U) The majority of the population has a positive opinion of the President and his administration. He is seen as a capable politician and, despite the divided Congress, was able to deliver his speech in front of Congress without interruption - more than can be said for Fox in his last two years. Some opinion makers, however, complained that the lack of media coverage of the PRD representative's comments at the presentation before Congress was reminiscent of the

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cloaking that occurred during the days of the PRI's reign. The address itself was directed at highlighting all the good things the administration has done, while at the same time placing a strong emphasis on the additional things that need to be accomplished to guarantee a bright future for Mexico. It was a fairly realistic assessment of Mexico's challenges.

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